

## Message Text

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11  
ACTION IO-13

INFO OCT-01 EUR-12 ISO-00 CAB-02 CIAE-00 COME-00 DODE-00

DOT-00 EB-07 INR-07 NSAE-00 CIEP-01 FAA-00 AF-08

ARA-06 EA-07 NEA-10 ABF-01 TRSE-00 OMB-01 L-03 /079 W  
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R 011539Z SEP 76  
FM AMCONSUL MONTREAL  
TO SECSTATE WASHDC 7944

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E. O. 11652: N/A  
TAGS: PORG, EAIR, ICAO  
SUBJ: ICAO: DEN-ICE JOINT FINANCING AGREEMENTS - EXCHANGE RATE  
QUESTION

REF: STATE 209016

1. PER PARA 5 REFTEL USREP MET WITH SECRETARIAT (SECRETARY OF JOINT SUPPORT CTE). APPARENT THAT SECRETARIAT CONFUSED AND/OR TRYING TO COVER FOR PAST INEPT HANDLING. (A) SECRETARY ATTEMPTED TO CONVINCE USREP THAT JOINT SUPPORT CTE HAD TAKEN FIRM DECISION IN LAST SESSION TO CONTINUE WITH IMF CENTRAL RATE. MINUTES CLEARLY REFLECT POSTPONEMENT OF SUCH A DECISION PENDING DETAILED INFORMATION RE THE DIFFERENCES BETWEEN VARIOUS EXCHANGE RATES. SECRETARY THEN ADMITTED THAT CTE HAD NOT DECIDED TO CONTINUE IMF "CENTRAL RATE" BUT SAID AS A PRACTICAL MATTER, ICAO HAD TO SEND BILLS TO CONTRIBUTING STATES FOR SECOND HALF 1976, AND FOR THAT PURPOSE HAD TO ASSUME THE CONTINUED USE OF THE PREVIOUSLY USED RATE. (B) SECRETARY TOLD US CONFIDENTIALLY THAT DENMARK'S RESPONSE TO ICAO'S LETTER REQUESTING THE INFORMATION NEEDED BY THE CTE. HAD BEEN LATE AND INADEQUATE. ICAO HAS REPEATED ITS REQUEST TO DENMARK. (C) TO COMPLICATE MATTERS, WHILE SECRETARY WAS ON SUMMER VACATION, ANOTHER STAFF MEMBER SENT USUAL ROUTINE CABLE TO ICELAND ASKING WHAT EXCHANGE RATE HAD BEEN NEGOTIATED FOR SECOND HALF 1976 BILLING -- BUT UNFORTUNATELY SAME LANGUAGE WAS  
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SENT IN DENMARK CABLE WHICH SHOULD HAVE BEEN ROUTINE TWICE-A-YEAR

REQUEST FOR DENMARK AGREEMENT TO CONTINUED USE OF IMF "CENTRAL RATE."  
DENMARK SEIZED THIS LONG AWAITED OPPORTUNITY PROBABLY BELIEVING  
IT WAS FINALLY PURSUANT TO THEIR CORRESPONDENCE WITH ICAO AND  
ICAO'S SUGGESTION THAT A NEGOTIATING APPROACH MIGHT BE USED  
(REF: ATTACHMENT TO JSWP 965). THEY PROPOSED TO ICAO THE USE OF  
SAME RATE PARA 3 REFTEL, 6.137 DK TO ONE US DOLLAR; AND UNDOUBT-  
EDLY IT WAS THIS CABLE THAT LED DENMARK TO MAKE REPRESENTATIONS TO  
DEPARTMENT REQUESTING USE OF JULY 1 "COMMERCIALLY AVAILABLE" RATE  
(BANK OF DENMARK). ON RETURN OF SECRETARY, ICAO IMMEDIATELY RE-  
TRACTED REQUEST TO DENMARK, AND INFORMED THEM THAT JSCTE HAD  
DECIDED ON CONTINUED USE OF "CENTRAL RATE," PENDING FINAL DECISION  
ON EXCHANGE RATE AND DANISH RETROACTIVE CLAIM.

2. DURING DISCUSSIONS, REFERENCE WAS MADE TO ARTICLE XI PARA 4  
OF AGREEMENT (PAR VALUE OR AGREEMENT AMONG STATES). SECRETARY  
INDICATED THAT OBVIOUSLY WE WEREN'T IN KEEPING WITH AGREEMENT  
BUT HOPEFULLY THE QUESTION OF A FORMAL AMENDMENT WOULD NOT COME UP  
BEFORE THE DEN/ICE III CONFERENCE PROPOSED FOR MARCH 1977 --  
AND HOPEFULLY COULD BE TAKEN CARE OF APART FROM THE CONFERENCE.

3. UKREP WOULD HAVE NO OBJECTION TO NEGOTIATED RATE APPROACH, BUT  
USREP HAD IMPRESSION THAT THEIR POSITION CONTINUES TO PREFER  
USE OF CENTRAL RATE. FYI: IT WAS UK THAT "NEGOTIATED" WITH DENMARK  
AND PROPOSED TO CTE THAT IMF CENTRAL RATE BE USED (FEB 1972).

4. USREP RECOMMENDS THAT (A) WE PAY SECOND HALF 1976 ASSESSMENT  
BASED ON CONTINUED USE "IMF CENTRAL RATE;" (B) THE DEPARTMENT  
ADVISE DENMARK EMBASSY THAT DEPARTMENT UNDERSTANDS THAT CTE POST-  
PONED DECISION INFO REGARDING VARIOUS POSSIBLE RATES, AT WHICH TIME  
RETROACTIVE CLAIM WILL ALSO BE CONSIDERED. (C) QUESTION OF  
RETROACTIVE "ADJUSTMENT" CLAIM BE CONSIDERED WHEN EXCHANGE RATE  
INFO IS CIRCULATED TO CTE BY SECRETARIAT. JSC MEETS SEPTEMBER 21  
TO CONSIDER CERTAIN PAPERS BUT SECRETARY SAYS DENMARK  
EXCHANGE RATE QUESTION WILL NOT REPEAT NOT BE TABLED THEN NOR  
BEFORE MID-OCTOBER.

5. IF DEPARTMENT WISHES TAKE INITIATIVE ON BEHALF DENMARK REQUEST,  
FOR REASONS USREP NOT AWARE, WE SHOULD TALK INFORMALLY WITH OTHER  
CTE MEMBERS, AND DISCUSS WITH UK/LONDON THE FACT THAT ICAO  
IS NOT REPEAT NOT COLLECTING IN ACCORDANCE WITH ART. XI.4  
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IS SOUND BASIS FOR NEGOTIATING APPROACH. HOWEVER, LEGALLY  
IT COULD BE ARGUED THAT UK "NEGOTIATIONS" WITH DENMARK ACCEPTED BY  
JSC IN 1972 AND EVERY SIX MONTHS THEREAFTER CONSTITUTES "FIXING  
BY AGREEMENT BETWEEN GOVERNMENT OF DENMARK AND THE  
GOVERNMENT MAKING THE PAYMENT" (ALTHOUGH DENMARK IS NO LONGER  
ACCEPTING IT APPARENTLY. CHANGING APPLICABLE RATE FOR SECOND HALF  
1976 CAN BE DONE BILATERALLY US/DENMARK, WITH COURTESY NOTIFICATION  
TO OTHER MEMBER COMMITTEE. IF US TAKE SUCH INITIATIVE IN

NEGOTIATING A RATE WITH DENMARK, THE COMMITTEE'S DECISION IN OCTOBER WILL BE PREJUDGED. WE SHOULD CAPITALIZE ON SUCH A MOVE WITH DENMARK AND ENDEAVOR TO MINIMIZE ANY RESENTMENT ON PART OF OTHER CONTRIBUTORS.

6. FYI: USREP WISHES POINT OUT THAT RESULTS OF SNAP PANEL INDICATE MUCH GREATER REDUCTION IN JOINT FINANCING OF DENMARK SCHEMES THAN ICELAND. END FYI.

7. USREP PREPARED TO DISCUSS DURING SEPTEMBER 9-10 CONSULTATION. HARPER

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** CIVIL AVIATION, DIPLOMATIC DISCUSSIONS, MEETING REPORTS, FOREIGN EXCHANGE RATES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 01 SEP 1976  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** KelleyW0  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1976MONTRE01267  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D760332-1011  
**From:** MONTREAL  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1976/newtext/t197609102/aaaadjkk.tel  
**Line Count:** 126  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION IO  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** 76 STATE 209016  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** KelleyW0  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 25 MAR 2004  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <25 MAR 2004 by ShawDG>; APPROVED <05 AUG 2004 by KelleyW0>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
04 MAY 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** ICAO: DEN-ICE JOINT FINANCING AGREEMENTS - EXCHANGE RATE QUESTION  
**TAGS:** PORG, EAIR, US, ICAO  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006